

## SHARED REVENUE AND TAX RELIEF

Budget Summary						FTE Position Summary
Fund	2012-13	Request		2013-15 Change Over		There are no positions authorized for Shared Revenue and Tax Relief.
	Adjusted Base	2013-14	2014-15	Base Year Doubled	Amount	
GPR	\$2,147,889,100	\$2,159,551,500	\$2,171,506,500	\$35,279,800	0.8%	
PR	43,664,200	43,664,200	43,664,200	0	0.0	
SEG	189,795,300	194,654,600	194,129,600	9,193,600	2.4	
TOTAL	\$2,381,348,600	\$2,397,870,300	\$2,409,300,300	\$44,473,400	0.9%	

### Major Request Items

#### 1. LOTTERY AND GAMING CREDIT REESTIMATE

SEG	\$16,795,000
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Request increases of \$8,397,500 annually to the sum sufficient appropriation to reflect estimates of lottery proceeds available for distribution. With these adjustments, estimated total funding would increase from an adjusted base level of \$118,870,400 to \$127,267,900 annually in 2013-14 and 2014-15.

#### 2. JOBS TAX CREDIT

GPR	\$16,000,000
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Request an annual increase of \$8,000,000 for the sum sufficient appropriation for the jobs tax credit to re-estimate tax credit claims during the biennium. The re-estimates reflect projections of increased credit claims due to the increase in the annual maximum credit limit from \$5 million to \$10 million, and estimated transfer of unused angel and early stage seed tax credits. With the adjustment, total annual funding would be increased from \$9,000,000 to \$17,000,000. The jobs tax credit equals 10% of the wages paid to an eligible employee and/or the amount of costs incurred to undertake training activities in the year.

#### 3. HOMESTEAD TAX CREDIT REESTIMATE -- CURRENT LAW

GPR	\$11,200,000
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Request increases of \$4,700,000 in 2013-14 and \$6,500,000 in 2014-15 for the sum sufficient appropriation to reflect anticipated costs of the credit in the biennium. The Department of Revenue (DOR) indicates that the reestimated credit amounts are based on past trends in the credit after taking into account recent law changes affecting the credit. With these adjustments, estimated total funding would increase from an adjusted base level of \$132,200,000 to \$136,900,000 in 2013-14 and \$138,700,000 in 2014-15.

**4. HOMESTEAD TAX CREDIT - - ELIGIBILITY AND HOUSEHOLD INCOME CHANGES**

GPR	- \$2,600,000
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Request the elimination of eligibility for the homestead tax credit for the following claimants: (a) those with investment income for all persons in the household that exceeds \$10,000, with investment income defined as taxable and tax-exempt interest, dividends, and net capital gains; (b) those with wages, salaries, and tips received by all persons in the household that exceed \$50,000 (this would exclude claimants with \$50,000 or more in wage-related income who have significant losses or other offsets to that income that makes them otherwise eligible for a credit); and (c) those with a homestead with an assessed value of improvements, as shown on the property tax bill, which exceeds \$500,000.

Request authority to add back annual payments to college savings accounts, or a college tuition and expenses program, which lower a taxpayer's adjusted gross income for state tax purposes, to household income for the purposes of calculating the homestead tax credit. Including these payments in household income would increase such claimants' household income, which would reduce, or eliminate, the homestead tax credit that they could claim.

These changes would initially apply to tax years beginning on, or after, January 1, 2013. The Department of Revenue estimates that the total cost of the credit would be reduced by \$1,300,000 GPR annually associated with these proposed changes.

**5. VETERANS AND SURVIVING SPOUSES PROPERTY TAX CREDIT**

GPR	\$9,380,000
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Request increases of \$4,040,000 in 2013-14 and \$5,340,000 in 2014-15 to the sum sufficient appropriation for the veterans and surviving spouses tax credit to reflect estimates of payment amounts. With these adjustments, base level funding of \$20,000,000 would increase to \$24,040,000 in 2013-14 and \$25,340,000 in 2014-15. The credit is equal to real and personal property taxes paid on a principal dwelling by certain veterans and surviving spouses.

**6. CIGARETTE AND TOBACCO PRODUCT TAX REFUNDS**

GPR	- \$7,100,000
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Request reduced funding for cigarette and tobacco products tax refunds of \$3,200,000 in 2013-14 and \$3,900,000 in 2014-15 to reflect lower estimates of the sum sufficient appropriation amounts required to reimburse Native American tribes under present law. Under current law, for sales that occur on reservations or trust lands, the tribes receive a refund of 100% of the excise tax on cigarettes sold to Native Americans and 70% of the tax on sales to non-native Americans. For tobacco products sold on reservations or trust lands, the tribes receive a refund of 100% of the tax on products sold to tribal members and 50% of the tax on products sold to non-Native Americans. The requested decrease in the sum sufficient estimate reflects the Department of Revenue's lower estimate for refunds to Native American tribes in 2012-13 and the Department's expectation that fewer purchases of cigarettes and tobacco products will occur on tribal reservations over the next biennium.

**7. ENTERPRISE ZONE TAX CREDITS**

GPR	\$6,000,000
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Request increases of \$1,500,000 in 2013-14, and \$4,500,000 in 2014-15 for the sum sufficient appropriation for enterprise zone tax credits to re-estimate tax credit claims during the biennium. The re-estimates reflect projections of credit claims from major economic development projects under the program. With the adjustments, total funding would be increased from \$43,300,000 to \$44,800,000 in 2013-14, and \$47,800,000 in 2014-15. Businesses that operate in enterprise zones established by the Wisconsin Economic Development Corporation (WEDC) can claim tax credits for jobs created and retained, training, capital expenditures, and purchases from Wisconsin vendors.

**8. EARNED INCOME TAX CREDIT -- SUM SUFFICIENT ESTIMATE**

GPR	- \$4,651,600
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Request decreases of \$4,291,800 in 2013-14 and \$359,800 in 2014-15 for funding for the earned income tax credit (EITC). With these adjustments, base level GPR funding of \$72,635,800 would decrease to \$68,344,000 in 2013-14 and \$72,276,000 in 2014-15. The EITC is funded through a combination of GPR and PR funding. The PR component is provided by a transfer of temporary assistance for needy families (TANF) funding from the Department of Children and Families, and the GPR component is provided through a sum sufficient appropriation, which covers the balance of the cost of the credit. This request reflects no change to the PR component, which has a base funding level of \$43,664,200. However, the Department of Children and Families has requested that the TANF funding be reduced by \$37,000,000 PR in 2014-15 to \$6,664,200. A reduction of that amount would cause an offsetting increase in the GPR appropriation. As a result, the GPR appropriation would increase by \$36,640,200 in 2014-15, as opposed to the decrease of \$359,800 reported above, and the appropriation would total \$109,276,000 in that year. Total funding for the EITC would be \$112,008,200 in 2013-14 and \$115,940,200 in 2014-15, regardless of the funding combination.

**9. COUNTY AND MUNICIPAL AID ACCOUNT -- POLICE AND FIRE PROTECTION FUND**

SEG	- \$7,704,000
GPR	<u>4,103,800</u>
Total	- \$3,600,200

Request decreases of \$3,589,500 SEG in 2013-14 and \$4,114,500 SEG in 2014-15 and increases of \$1,789,400 GPR in 2013-14 and \$2,314,400 GPR in 2014-15 in the appropriations for the county and municipal aid program. The SEG adjustment reflects the net effect of estimated reductions in revenue collected in the police and fire protection fund, which is the source for a portion of county and municipal aid program payments (-\$1,789,500 in 2013-14 and -\$2,314,500 in 2014-15) and a technical correction to the adjusted base for this appropriation (-\$1,800,000 annually). The adjusted base had not been properly updated to reflect an earlier reestimate of police and fire protection fund revenue. With these changes, payments from the police and fire protection fund would be estimated at \$52,338,400 in 2013-14 and \$51,813,400 in 2014-15. The GPR increases reflect an adjustment to the sum sufficient appropriation to offset the police and fire protection fund revenue reestimate. [The adjusted base for the GPR appropriation correctly reflects the earlier revenue reestimate, so no corresponding

correcting adjustment is required.] With these adjustments, total GPR payments for the county and municipal aid program payments would be \$695,737,300 in 2013-14 and \$696,262,300 in 2014-15. The total aid distribution from all sources (including \$5,000,000 annually from the medical assistance program) would remain unchanged at \$753,075,700 annually.

**10. FARMLAND PRESERVATION PER-ACRE TAX CREDITS**

GPR	- \$3,405,800
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Request a reduction of \$1,702,900 annually for the farmland preservation per-acre tax credit, which applies to the 2010 tax year and beyond. The credit has base funding of \$27,007,200, which is also the maximum amount of credits by statute that may be claimed in any fiscal year. The appropriation would be \$25,304,300 annually under the request. Approximately \$16.1 million in credits were claimed in 2011-12.

Credits are payable on the basis of the acreage a landowner holds under a DATCP-certified farmland preservation zoning ordinance or a farmland preservation agreement entered into with DATCP. Per-acre claims are \$5 for each acre under a farmland preservation agreement, \$7.50 for each acre under a certified farmland preservation zoning ordinance, or \$10 for each acre under both. Landowners must also practice soil and water conservation in accordance with state law.

**11. STATE AID FOR PUBLIC UTILITY PROPERTY**

GPR	\$3,190,600
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Request increases of \$588,800 in 2013-14 and \$2,601,800 in 2014-15 to the sum sufficient, public utility distribution account appropriation to reflect estimates of payment amounts. With these adjustments, the base level funding in the appropriation of \$66,473,200 would increase to \$67,062,000 in 2013-14 and \$69,075,000 in 2014-15. The public utility distribution account appropriation is used to make aid payments to counties and municipalities containing certain types of public utility property that are exempt from local property taxation.

**12. STATE AID FOR EXEMPT COMPUTERS, CASH REGISTERS, AND FAX MACHINES**

GPR	\$3,018,000
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Request increases of \$1,254,000 in 2013-14 and \$1,764,000 in 2014-15 to the sum sufficient appropriation to reflect estimates of increased payment amounts. With these adjustments, base level funding of \$80,400,000 would increase to \$81,654,000 in 2013-14 and \$82,164,000 in 2014-15. The appropriation is used to make aid payments to local governments containing computers, cash registers, and fax machines that are exempt from local property taxation.

**13. WOODY BIOMASS HARVESTING AND PROCESSING TAX CREDIT**

GPR	- \$1,200,000
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Request an annual decrease of \$600,000 for the sum sufficient appropriation for the

woody biomass harvesting and processing tax credit to re-estimate credit claims during the 2013-15 biennium. With the adjustment, total annual funding would be decreased from \$900,000 to \$300,000. The woody biomass harvesting and processing tax credit equals 10% of the amount paid for equipment that is used primarily to harvest or process woody biomass that is used for fuel or as a component of fuel.

**14. BEGINNING FARMER AND FARM ASSET OWNER TAX CREDITS**

GPR	- \$500,000
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Request an annual decrease of \$250,000 for the sum sufficient appropriation for the beginning farmer and farm asset owner tax credit to re-estimate credit claims during the 2013-15 biennium. With the adjustment, total annual funding would be decreased from \$300,000 to \$50,000. The beginning farmer tax credit equals the amount paid by the beginning farmer to enroll in a financial management program in the year to which the credit claim relates. The credit can be claimed on a one-time basis, and the maximum credit is \$500. The farm asset owner tax credit equals 15% of the amount received by an established farmer for leasing agricultural assets to a beginning farmer in the year to which the credit claim relates.

**15. FARMLAND PRESERVATION TAX CREDIT REESTIMATE**

GPR	- \$450,000
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Request decreases of \$100,000 in 2013-14 and \$350,000 in 2014-15 for the sum sufficient appropriation to reflect anticipated costs of the credit in the biennium. Under 2009 Act 28, the farmland preservation tax credit was limited to only claimants who have an active farmland preservation agreement signed prior to July 1, 2009, and a second, per-acre farmland preservation credit was created. DOR indicates that the reestimated credit amounts are based on estimates of the declining number of farmland preservation agreements that will remain active and eligible for the credit. With these adjustments, estimated total funding would decrease from an adjusted base level of \$600,000 to \$500,000 in 2013-14 and \$250,000 in 2014-15.

**16. CLAIM OF RIGHT CREDIT**

GPR	- \$216,000
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Request decreases of \$108,000 annually for the sum sufficient appropriation for the claim of right credit. With these adjustments, base level funding of \$278,000 would decrease to \$170,000 annually. The credit is extended to taxpayers who must repay income on which taxes were paid in a prior year.